

**City of Ionia
Ionia County, Michigan**

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2006

City of Ionia

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Principals

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

Compliance

We have audited the compliance of the City of Ionia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. The City of Ionia's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs are the responsibility of the City of Ionia's management. Our responsibility is to express an opinion on the City of Ionia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ionia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ionia's compliance with those requirements.

In our opinion, the City of Ionia complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Ionia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City of Ionia's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ionia's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 21, 2006

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE					
Passed through State Department of Education					
Summer Food Program for Children	10.559	34SF0200	\$ 6,918	\$ 6,918	\$ 6,918
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through State of Michigan Economic Development Corporation					
Community Development Block Grant (CDBG) Program					
States Program	14.228				
Downtown Revitalization/Brown					
Corporation Expansion Project		MSC 202021-EDIG	900,350	47,095	47,095
U.S. DEPARTMENT OF JUSTICE					
Passed through State of Michigan Office of					
Drug Control Policy and the City of Big Rapids					
Byrne Formula Grant Program	16.579				
2004-2005 CMET		N/A	69,681	13,674	13,674
2005-2006 CMET		N/A	33,565	33,565	33,565
TOTAL U.S. DEPARTMENT OF JUSTICE			103,246	47,239	47,239
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan Department of Transportation					
Federal Transit - Capital Investment Grants	20.500				
Section 5309 Capital		2002-0050/Z7	299,038	37,041	37,041
Section 5309 Capital		2002-0050/Z3	237,568	8,363	8,363
Section 5309 Capital		2002-0050/Z14	151,840	116,139	116,139
			688,446	161,543	161,543
Jobs Access and Reverse Commute Grant	20.516				
FY 05-06		2002-0050/Z6	81,570	29,878	29,878

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION - CONTINUED					
Passed through Michigan Department of Transportation - continued					
Formula Grants for Other Than Urbanized Areas	20.509				
RTAP 2004-2005		N/A	\$ 541	\$ 541	\$ 541
Section 5311 Operating Assistance					
FY 2005		2002-0050/Z11	68,248	18,641	18,641
FY 2006		2002-0050/Z16	<u>85,035</u>	<u>60,285</u>	<u>60,285</u>
			<u>153,824</u>	<u>79,467</u>	<u>79,467</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			923,840	270,888	270,888
U.S. DEPARTMENT OF HOMELAND SECURITY					
The State Homeland Security Grant Program					
Passed through Michigan State Police, Emergency Management Division					
State Domestic Preparedness Equipment Support Program	97.004				
2004 SHGP		N/A	162,873	75,521	75,521
Law Enforcement Terrorism Prevention Program					
2004 LETPP		N/A	49,648	2,188	2,188
Emergency Management Division and Ionia County					
2005 SHGP		N/A	<u>16,311</u>	<u>16,311</u>	<u>16,311</u>
			228,832	94,020	94,020
Assistance to Firefighters Grant (Direct Program) ^(a)	97.044				
2004 Fire Prevention and Safety Program		EMW-2004-FP-01455	721,422	603,871	603,871
2005 Fire Prevention and Safety Program		EMW-2005-FG-10470	<u>49,210</u>	<u>46,253</u>	<u>46,253</u>
			<u>770,632</u>	<u>650,124</u>	<u>650,124</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>999,464</u>	<u>744,144</u>	<u>744,144</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,933,818</u>	<u>\$ 1,116,284</u>	<u>\$ 1,116,284</u>

^(a) Denotes program tested as a "major program"

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Ionia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note B.

NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the June 30, 2006 Basic Financial Statements to the expenditures of the City administered Federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Other Adjustments</u>	<u>Federal Expenditures</u>
GENERAL FUND				
Homeland security grants	\$ 744,262	\$(118)	\$ -	\$ 744,144
CMET reimbursements	48,989	(1,750)	-	47,239
Summer food service program	6,918	-	-	6,918
Other programs	<u>920,263</u>	<u>(920,263)</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND	1,720,432	(922,131)	-0-	798,301
CAPITAL PROJECTS FUNDS				
Grant Projects Fund	448,432	(401,337)	-	47,095
ENTERPRISE FUNDS				
Dial-A-Ride Fund	<u>577,447</u>	<u>(300,138)</u>	<u>(6,421)</u>	<u>270,888</u>
	<u>\$ 2,746,311</u>	<u>\$(1,623,606)</u>	<u>\$(6,421)⁽¹⁾</u>	<u>\$ 1,116,284</u>

⁽¹⁾ All adjustments were the result of prior period reconciliations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ionia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Ionia in a separate letter dated September 21, 2006.

This report is intended solely for the information and use of management and the City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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September 21, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ NoReportable condition(s) identified that are not
considered to be material weakness(es)?☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ NoReportable condition(s) identified that are not
considered to be material weakness(es)?☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with
Section 501(a) of Circular A-133?☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.044

Fire Prevention and Safety Program

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No**Section II - Financial Statement Findings**

None

Section III - Federal Award Findings and Questioned Costs

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2006

There were no findings disclosed for the past two years.